

ORIGINAL



BEFORE THE ARIZONA CORPORATION

RECEIVED

Arizona Corporation Commission
DOCKETED

MAY 27 2008

COMMISSIONERS

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

DOCKETED BY
nk

Docket No. RE-00000A-07-0608

IN THE MATTER OF THE
PROPOSED NET METERING
RULES FOR THE PROPOSED
RULEMAKING ON NET
METERING

ARIZONA PUBLIC SERVICE COMPANY'S
WRITTEN RESPONSE COMMENTS ON
NOTICE OF PROPOSED RULEMAKING
REGARDING NET METERING

Arizona Public Service Company ("APS" or the "Company") hereby submits supplemental comments in response to comments filed by the Interstate Renewable Energy Council ("IREC") and Solar Advocates in the Matter of the Notice of Proposed Rulemaking on Net Metering. APS' comments will address the following issues:

1. APS' objection to IREC and Solar Advocates substantial modification to the cost recovery provision set forth in R14-2-2305.
2. APS' objection to IREC and Solar Advocates proposal to increase capacity requirements under R14-2-2307.

I. Introduction.

On January 4, 2008, APS filed Comments in response to the Arizona Corporation Commission Staff's ("Staff") Request for Written Comments to Proposed Net Metering Rules. On February 1, 2008, Staff revised the Proposed Net Metering Rules, incorporating many of the comments of the interested parties. On February 12, 2008, APS filed comments to Staff's Revised Draft of Proposed Net Metering Rules. On February 21, 2008, Staff filed a Proposed Net Metering Order and the Proposed Net Metering Rules. On March 6, 2008, APS filed Comments to Proposed Order for the Proposed Rulemaking Regarding Net Metering. On March 20, 2008, the Arizona Corporation Commission's ("Commission" or "ACC") issued Decision No. 70194 ordering the ACC Staff to prepare

1 a Notice of Proposed Rulemaking to adopt Net Metering Rules, A.A.C. 14-2-2301
2 through R14-2-2308 ("Proposed Net Metering Rules").

3 On March 28, 2008, a Procedural Order was issued in this matter scheduling an
4 oral proceeding to obtain public comments for June 5, 2008. The Procedural Order also
5 requested interested parties file initial written comments on or before May 19, 2008. On
6 May 19, 2008 comments to the Proposed Net Metering Rule were filed by APS, the
7 Electric Cooperatives, IREC and Solar Advocates.

8 **II. Response Comments on Proposed Net Metering Rules**

9 APS objects to IREC's attempt to substantially change the way Proposed Net
10 Metering Rules allow recovery of Net Metering costs by restricting the utility's ability to
11 even seek recovery of Net Metering Customer's costs under R14-2-2305 ("Rule 2305").
12 Rule 2305, as drafted, permits such recovery of additional costs if the existence of
13 additional costs is supported by a cost of service study and not mitigated by a benefit/cost
14 analysis. (R14-2-2305.A).

15 In addition, APS objects to IREC's attempt to proposed restrictions on the ability
16 of utilities to propose overall system capacity limits in violation of the interconnection
17 requirements established by this Commission in Docket No. E-00000A-99-431, *In the*
18 *Matter of Interconnection of Distributed Generation Facilities in the Generic*
19 *Investigation of Distributed Generation* and the proposed rulemaking ordered by Decision
20 No. 69674.

21 **1. IREC Comments.**

22 **A. Cost Recovery**

23 IREC proposes modifications to R14-2-2305(A) and (B) in what it describes is an
24 attempt to "clarify" the Utility's right to collect higher costs from Net Metering
25 Customers. Specifically IREC proposes to add the following sentence in R 14-2-2305.B:

26 *The Affected Utility may not charge the customer-generator any additional*
27 *fees or charges or impose any equipment or other requirements unless the*
28 *same is imposed on customers in the same rate class that the customer-*

1 *generator would qualify for if the customer-generator did not have*
2 *generation equipment."*

3 APS believes that the language changes proposed by IREC substantially changes
4 the meaning of R14-2-2305 by restricting the Utility's ability to collect costs, contrary to
5 the cost recovery provision authorized under R14-2-2305.A, when such costs are properly
6 supported by a cost of service study and benefit/cost analysis. In addition, IREC's
7 language appears to expand the restriction on the recovery of such costs to include "any
8 equipment or other requirements." Such restrictions would be directly contrary to the
9 Commission's interconnection rules and current APS' Commission approved tariffs that
10 allow for the recovery of increased costs incurred based upon a customer's specific load
11 requirements or characteristics, even if such costs to serve that customer are greater than
12 the cost to serve a typical customer in the same class. For example, based upon the
13 customer's load characteristics, APS may need to upgrade a transformer. Under IREC's
14 proposed language, such costs would not be recoverable from the Net Metering Customer
15 even though such recovery is required under APS Schedule 3 or the Commission's
16 interconnection rules. It would restrict APS from even charging the additional cost of a
17 bi-directional meter – a piece of equipment only used by Net Metering Customers. Such
18 additional restrictions are not present in the Proposed Net Metering Rules and such
19 inclusion of these additional restrictions would constitute **more than** a substantial change
20 to the current rules. In any event, such language is not needed as before such costs can be
21 recovered, the Utility must fully justify such costs and receive Commission approval
22 under R14-2-2305.A as currently proposed in these Rules.

23 **B. Capacity Limitations**

24 Next, IREC proposes to restrict the ability of utilities to even propose system-wide
25 capacity limits by the following language:

26 *If total utility capacity limits are included in the Tariff, such limits must be*
27 *fully justified and must be consistent with applicable REST goals for*
28 *renewable distributed generation resources.*

1 First, APS believes that the entire issue of capacity limitation would be largely
2 mooted if combined heat and power ("CHP") eligibility for net metering were
3 restricted to renewable applications, as urged in the Company's original Comments.
4 The additional proposed language is also an unnecessary restriction on this
5 Commission because R14-2-2307.B provides that if total utility capacity limits are
6 included in the Tariff, such limits must be fully justified to the Commission.

7 APS has consistently proposed that the Commission adopt the definition
8 Renewable Combined Heat and Power ("RCHP") instead of the current CHP
9 definition in R14-2-2302.D to be consistent with the REST. If Net Metering Facilities
10 were limited to renewable resources, APS would have less of a concern about linking
11 capacity requirements to the REST. In fact, the most likely reason that otherwise
12 needed capacity limits on distributed generation could impede longer term REST goals
13 is because under the Proposed Net Metering Rules, non-renewable CHP generators
14 would be permitted to connect to the Utility's grid thereby preventing renewable
15 energy resources from interconnection due to the necessary limitation on total
16 distributed generation interconnection that is driven by reliability concerns.

17 2. Solar Advocates Comments

18 A. Cost Recovery

19 Like IREC above, Solar Advocates proposes to modify R14-2-2305.B to "clarify"
20 cost recovery by changing R14-2-2305.B from:

21 B. *Net Metering costs shall be assessed on a nondiscriminatory basis with*
22 *respect to other customers with similar load characteristics.*

23 To;

24 B. *"No Net Metering charges shall be assessed to a Net Metering customer*
25 *that are not assessed to all customers with similar load characteristics,*
26 *regardless of whether or not they participate in Net Metering."*

27 As with the IREC proposed modification to R14-2-2305.B, Solar Advocates
28 proposal substantially changes the meaning and scope of R14-2-2305 by restricting the

1 Utility's ability to collect costs, contrary to the current cost recovery provision authorized
2 under R14-2-2305.A, for the same reasons provided above.

3 **B. Tariff Modification**

4 Solar Advocates proposes to add a provision R14-2-2307.D as follows:

5 *D. To the extent practicable, R14-2-2301 through R14-2-2308, inclusive, shall be*
6 *implemented consistent with the Renewable Energy Standard and Tariff (R14-2-*
7 *1801 et seq.).*

8 APS interprets the above language as simply stating the principle that all
9 Commission regulations should be interpreted and implemented, to the extent practicable,
10 in a manner that gives effect to each, and thus, APS does not oppose this addition to R14-
11 2-2307.

12 **C. Capacity Limitations**

13 Although the Solar Advocates do not provide any specific language changes to the
14 Proposed Net Metering Rules regarding capacity limits, they do raise the same issues as
15 IREC in that utility capacity limits should be set high enough to allow the eventual
16 meeting of the REST distributed generation goals. As noted in the Company's response
17 to the IREC proposal discussed in Section 1B above, this only would likely be an issue if
18 non-renewable CHP "crowds out" the available capacity for distributed generation on a
19 utility's system.

20 **III. Conclusion**

21 For the reasons stated above, APS objects to IREC's and Solar Advocates attempt
22 to substantially change the way Proposed Net Metering Rules allow recovery of Net
23 Metering costs by restricting the utility's ability to seek recovery of Net Metering
24 Customer's costs under Rule 2305. In addition, APS objects to IREC's and Solar
25 Advocates attempt to proposed restrictions on the ability of utilities to propose overall
26 system capacity limits in violation of the interconnection requirements and the proposed
27 rulemaking ordered by Decision No. 69674.
28

1 RESPECTFULLY submitted this 27th day of May, 2008.

2
3 PINNACLE WEST CAPITAL CORP.
Law Department

4 By  FOR
5 Thomas L. Mumaw

6
7
8 SNELL & WILMER L.L.P.

9 By 
10 Robert J. Metli

11 Attorneys for Arizona Public Service Company
12
13

14 ORIGINAL and thirteen (13)
15 Copies of the foregoing filed this
27th day of March, 2008 with:

16 Arizona Corporation Commission
17 Docket Control-Utilities Division
1200 West Washington Street
18 Phoenix, Arizona 85007

19 Parties of Record per attached list
20
21
22
23
24
25
26
27
28

Copies of the foregoing mailed or emailed
This 27th day of May, 2008 to:

Mr. Jeff Schlegel
Sweep
1167 W. Samalayuca Drive
Tucson, Arizona 85704

Mr. Robert Annan
Annan Group
6605 East Evening Glow
Scottsdale, Arizona 85262

Mr. David Berry
Western Resource Advocates
PO Box 1064
Scottsdale, Arizona 85252

Mr. Eric C. Guidry
Western Resource Advocates
2260 Baseline, Suite 200
Boulder, Colorado 80302

Mr. C. Webb Crockett
Mr. Patrick J Black
Fennemore Craig
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012

Mr. Andrew Bettwy
Southwest Gas Corporation
5421 Spring Mountain Road
Las Vegas, Nevada 89102

Mr. Michael Patten
Ms. Laura Sixkiller
Roshka Dewulf & Patten
One Arizona Center
400 East Van Buren Street, Ste. 800
Phoenix, Arizona 85004

Mr. Dave Couture
Tucson Electric Power Company
Post Office Box 711
Tucson, Arizona 85702

Mr. Jerry Payne
Cooperative International Forestry
333 Broadway S.E.
Albuquerque, New Mexico 87102

Mr. Brian Hageman
Ms. Caren Peckerman
Mr. Richard Briul
Deluge, Inc.
4116 East Superior Avenue, Suite D3
Phoenix, Arizona 85040

Mr. Scott S. Wakefield
Mr. Stephen Ahearn
RUCO
1110 West Washington Street, Suite 100
Phoenix, Arizona 85007

Mr. John Wallace
Grand Canyon State Electric Cooperative
Association, Inc.
120 North 44th Street, Suite 100
Phoenix, Arizona 85034

Ms. Jana Brandt
Ms. Kelly Barr
Salt River Project
Post Office Box 52025, MS PAB221
Phoenix, Arizona 85072

Mr. Gary Mirich
Energy Strategies
One North Central Avenue, Suite 1120
Phoenix, Arizona 85004

Ms. Amy LeGere
4850 Reata Road
Flagstaff, Arizona 86004

Mr. Cohn Murchie
Solar Energy Industries
ASSOCIATION
805 15th N.W., #510
Washington, DC 20005

Mr. Adam Browning
The Vote Solar Initiative
182-2 Street, Suite 400
San Francisco, California 94105

Mr. Aaron Stallings
Mohave Electric Cooperative
Post Office Box 1045
Bullhead City, Arizona 86430

Ms. Valerie Rauluk
Greater Tucson Coalition for Solar Energy
Post Office Box 42708
Tucson, Arizona 85733

E-01025A
Ajo Improvement Company
PO Drawer 9
Ajo, AZ 85321

E-01773A
Arizona Electric Power Cooperative, Inc.
PO Box 670
Benson, AZ 85602

E-01851A
Columbus Electric Cooperative, Inc.
PO Box 631
Deming, NM 88031

E-01703A
Duncan Valley Electric Cooperative, Inc.
PO Box 440
Ducan, AZ 85534

E-01891A
Garkane Energy Cooperative, Inc.
PO Box 465
Loa, UT 84747

E-03660A
KWH Metering, LLC
7409 Country Club Dr.
Pinetop, AZ 85935

E-01049A
Morenci Water and Electric Company
PO Box 68
Morenci, AZ 85540

E-03661A
APS Energy Services Company, Inc.
400 E. Van Buren St. Ste. 750
Phoenix, AZ 85004

E-02044A
Dixie-Escalante Rural Electric
Association, Inc.
71 E. Highway 56
Beryl, UT 84714-5197

E-03614A
Eastern Competitive Solutions, Inc
2712 N. 7th St.
Phoenix, AZ 85006

E-01749A
Graham Country Electric Cooperative, Inc.
PO Drawer B
Pima, AZ 85543

E-01750A
Mohave Electric Cooperative, Inc.
PO Box 1045
Bullhead City, AZ 86430
E-01787A
Navopache Electric Cooperative, Inc.
1878 W. White Mountain Blvd
Lakeside, AZ 85929

E-03869A
PDM Energy, L.L.C.
One North Central Ave
Phoenix, AZ 85004

E-01575A
Sulphur Springs Valley Electric
Cooperative, Inc.
PO Box 820
Wilcox, AZ 85644

E-01933A
Tucson Electric Power Company
Atten: Karen Kissinger
PO Box 711, MS OH-203
Tucson, AZ 85702

E-03964A
Sempra Energy Solutions
101 Ash Street
San Diego, CA 92101

E-01461A
Trico Electric Cooperative, Inc.
PO Box 930
Marana, AZ 85653

E-04204A
UNS Electric Inc.
Atten: Karen Kissinger
PO Box 711, MS OH-203
Tucson, AZ 85702

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Ms. Janice Alward
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Ms. Lyn Farmer
Chief, Hearing Division
1200 West Washington Street
Phoenix, AZ 85007


